

## Message Text

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R 232252Z MAY 78  
FM SECSTATE WASHDC  
TO AMEMBASSY BELGRADE

C O N F I D E N T I A L STATE 131504

FOR WORTZEL FROM ANDREWS

CORRECTED COPY (PARA 5 AND 6 OMISSIONS)

E.O. 11652: GDS

TAGS:OGEN

SUBJECT: OFFICIAL-INFORMAL

1. LUERS TRIP. BILL WOULD LIKE TO GO BY CAR FROM BELGRADE TO DUBROVNIK VIA SARAJEVO ON SUNDAY, JUNE 4, IF THAT IS POSSIBLE. WE TRIED TO DISCOURAGE HIM, AND HE IS AWARE OF THE DIFFICULTIES -- LONG DRIVE, POOR ROAD, PROBLEM GETTING CAR AND DRIVER -- BUT IF IT COULD BE ARRANGED HE WOULD APPRECIATE IT. OTHERWISE, HE WOULD LIKE TO FLY DOWN ON SUNDAY WITH THE AMBASSADOR. HE DOES NEED A HOTEL RESERVATION IN DUBROVNIK FOR SUNDAY AND MONDAY. AS FOR SATURDAY, TUESDAY AND WEDNESDAY IN BELGRADE, DARRYL RECALLS THAT THE AMBASSADOR MENTIONED HAVING LUERS STAY AT THE RESIDENCE. IS THAT CORRECT? IN BELGRADE LUERS WOULD LIKE TO SEE BERNARDIC AND STARCEVIC, PLUS ANY OTHER INTERESTING PEOPLE YOU MIGHT  
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THINK APPROPRIATE. BILL HAS A PARTICULAR THING ABOUT INTELLECTUALS AND ARTIST/CULTURAL TYPES.

2. ON A RELATED POINT, BILL WOULD LIKE TO MEET MIHAILO MIHAILOV DURING THE LATTER'S TRIP TO THE U.S. WE DON'T SEE ANY OBVIOUS PROBLEM WITH THIS, SINCE THE YUGOSLAVS HAVE EVIDENTLY DECIDED TO LET MIHAILOV TRAVEL, BUT WE

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WOULD WELCOME YOUR VIEWS ON THIS. ALSO ON MIHAILOV, WE CERTAINLY DID NOT MEAN TO SUGGEST THAT THERE WAS ANY CONFUSION ON YOUR END CONCERNING HIS CONTACTS WITH THE EMBASSY. THE CONFUSION WAS BETWEEN YOUR REPORTS AND THE ACCOUNTS GIVEN TO US BY MIHAILOV'S SISTER HERE.

3. TEXTILES. THE YUGOSLAV NEGOTIATING TEAM INDICATED THAT BELGRADE WAS INDEED PREPARED TO DISCUSS ARRANGEMENT WHICH INCLUDED RESTRAINTS ON MAN-MADE FIBER SUITS (MMF) PROVIDED THAT IT WAS HIGH ENOUGH. IT APPEARS THAT THE EMBASSY HAS BEEN GETTING A DIFFERENT STORY FROM THE MINISTRY OF FOREIGN TRADE. WITH REGARD TO STATE 126525, YOU SHOULD BE AWARE THAT THE ESTIMATE OF 50,000 MMF IS JUST A PRELIMINARY NEGOTIATING FIGURE. ALTHOUGH STR, LABOR AND COMMERCE ARE AFRAID TO TRUST YOU PEOPLE WITH SUCH DETAILS, IN FACT, BASED ON DISCUSSIONS WITH TRADE UNION REPRESENTATIVES, IT APPEARS THAT THE U.S. CAN GO AS HIGH AS ABOUT 90,000 MAN-MADE FIBER SUITS PER YEAR (COUPLED WITH ANNUAL WOOL LIMIT OF AROUND 92,400). SHOULD THE YUGOSLAVS BE WILLING TO LIVE WITH A FIGURE LOWER THAN 92,400 FOR WOOL -- WHICH IS HIGHLY UNLIKELY -- THEN THE CEILING ON MMF COULD BE INCREASED AT A RATIO OF ABOUT 3 MMF TO 1 WOOL. IN OTHER WORDS WE COULD GIVE

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THE YUGOSLAVS A TOTAL OF ABOUT 180,000 PER YEAR DIVIDED EVENLY BETWEEN WOOL AND MMF -- WITH SOME "SWING" -- BUT COULD INCREASE THAT TOTAL IF THEY WANTED TO ACCEPT A LOWER RESTRAINT ON WOOL.

4. TRADE STATISTICS. THANKS FOR POINTING US BACK TO YOUR REPORT ON THE MEETING WITH LUDVIGER, WHICH HAD THE 3 MONTH BREAKDOWN. THE DISCREPANCY BETWEEN U.S. AND YUGOSLAV FIGURES ON THE TRADE BALANCE IS THUS ALMOST \$80 MILLION AFTER ONLY 3 MONTHS. AS REPORTED IN STATE 51548, WE HAVE BEEN AWAITING REPLIES FROM GOY TO SEVERAL QUESTIONS ON METHODOLOGY WHICH KULISIC PROMISED TO CHECK. WE WILL PRESS HIM HERE, AND PERHAPS EMBASSY CAN DO SAME AT MFT.

5. BAZAAR SHIPMENT. MR. LEDERMAN CALLED TO SAY THAT THE SHIPMENT WAS DELIVERED TO THE DEPARTMENT ON FRIDAY AND IS SUPPOSED TO BE ON ITS WAY NOW. HE ALSO SAID THAT THE STORAGE CHARGE HAD BEEN CANCELLED. WE HAVE NOT BEEN ABLE TO CONFIRM YET THAT IT ACTUALLY IS ON THE WAY, BUT WILL CONTINUE TO PURSUE IT.

6. FOR RAY LOMBARDI. DARRYL SPOKE WITH CAREER MANAGEMENT  
(HIGGINS WAS OUT), RELAYING YOUR VIEWS ON MANAGUA (NO)  
AND OECD (YES).  
CM SAID THAT YOU ARE A "STRONG CANDIDATE"  
FOR THE OECD JOB, BUT THAT THE DECISION WOULD NOT BE  
MADE FOR ABOUT TWO WEEKS. LABOR APPARENTLY HAS TO  
CONCUR. IF YOU HAVE ANY POINTS WHICH WE MAY FURNISH  
TO INFLUENCE LABOR FAVORABLY, PLEASE LET US KNOW IN  
THIS CHANNEL. CHRISTOPHER

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